REMARKS

No claims have been amended. Claims 15, 20, 22 and 24 remain in the Application. Further examination and reconsideration of the Application is hereby requested.

On page 2 of the Office Action, claim 15 was rejected under 35 USC 101 because the claimed invention was presumed directed to non-statutory subject matter. Applicants respectfully traverse this rejection. In particular, the Examiner states that "claim 15 is neither tied to another statutory class or transforms underlying subject matter to a different state or thing." Applicants respectfully traverse this statement also. Claim 15 includes the limitation " preventing the use of a portion of the consumable item in proportion to the amount of expended portion of currency." By preventing the use of a portion of the consumable item a different physical state for the consumable item has occurred. For instance, the consumable item shown in Fig. 4 is an "ink or other fluid." In Fig. 6, the consumable item is "the energy stored within the battery." Preventing the use of a portion of the consumable item, be it ink, fluid, or energy as stated in the specification as examples, is a physical act which transforms the underlying subject matter. Further, "expending a portion of the currency" is a change of a different physical state as currency would move from one party to another. "Contacting a clearinghouse to make a payment" obviously would cause a different state to occur in the records of the clearinghouse. Finally, "releasing the encumbrance and thereby allowing the use of the portion of the consumable item" both changes the state of the encumbrance and changes the state of the consumable item by allowing it to be used rather than previously prevented.

Accordingly, claim 15 is clearly statutory subject matter under 35 USC 101 and withdrawal of the rejection under 35 USC 101 is respectfully requested.

Claim rejections under 35 USC 103(a)

Claims 15, 20, 22, and 24 were rejected under 35 USC 103(a) as being unpatentable over Biscoe, in view of Bertis et al. Applicants respectfully traverse this rejection. The Supreme Court recently addressed the issue of obviousness in KSR Int'l Co. v. Teleflex Inc., 127 S.Ct. 1727 (2007). The Court stated that the Graham v. John Deere Co. of Kansas City, 383, U.S. 1 (1966), factors still control an obviousness inquiry. Those factors are: 1) "the scope and content of the prior art"; 2) the "differences between the prior art and the claims"; 3) "the level of ordinary skill in the pertinent art"; and 4) objective evidence of nonobviousness. KSR, 127 S.Ct. at 1734 (quoting Graham, 383 U.S. at 17-18).

With regard to the first factor regarding the scope and content of the prior art, Briscoe discloses a "coinstick" which is a virtual (a simulated or non-physical) representation of a series of digital micro-payment tokens. Berstis discloses a pair of certified devices to operate within the context of a given security protocol to manage copies of a digital file and associated copy control info.

With regard to the third factor regarding the level or ordinary skill in the art, the Examiner previously addressed what one of ordinary skill in the art would know by citing Nathan J. Muller's Desktop Encyclopedia of the Internet. However, Applicants' representative would like to note that it is the Inventor's insight of *using the value of the consumable item* (be it ink or the energy stored in a battery or any other consumable item) *as either collateral security or barter* to ensure payment of royalty charges for *privileged content reproduced by the use of the consumable item* that together makes it inventive over the various ordinary electronic payment schemes cited in the references made of record. Applicants' note that this concept of using a consumable item to both create privileged content and secure payment (or barter for payment) of its use has not been shown to be disclosed, taught, or suggested by the Desktop Encyclopedia of the Internet.

With regard to the second factor with respect to differences between the prior art and the claims, neither Briscoe or Berstis disclose as in claim 15 "*preventing the use of a portion of the consumable item in proportion to the amount of expended portion of currency*, thereby creating a collateral security as an encumbrance on the portion of the consumable item" and "after payment,

releasing the encumbrance and thereby allowing the use of the portion of the consumable item." With regard to claim 20, neither cited reference disclose "creating a digital cash account for the consumable item having an amount proportionally related to the amount of the consumable item" and "*preventing the use of the consumable item in proportion to the reduced amount of the digital cash account of the consumable item*, thereby bartering a portion of the consumable item for the use of the content."

The "coinstick" of Briscoe is really just digital currency which is used to purchase "consumable items" such as "a number of pages of personalized news information" (col. 6:10-11). Applicants barter or secure the consumable item and prevent the use of the bartered or secured consumable item to create "privileged content" using the consumable item if there is not digital cash in the account of the consumable item.

With regard to the fourth factor of objective evidence of non-obviousness, Applicants also note that it is improper to combine references where the references *teach away* from their combination. (In re Grasselli, 713 F.2d 731, 743, 218 USPQ 769, 779 (Fed. Cir. 1983)). This principle was cited with approval in the recent Supreme Court decision, KSR. The Supreme Court in KSR discussed in some detail United States v. Adams, 383 U.S. 39 (1966), stating in part that in that case, "[t]he Court relied upon the corollary principle that when the prior art *teaches away* from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious." Accordingly, it remains improper to combine references where the references teach away from their combination.

In claim 20 as shown in Fig. 10 and described on pages 9:25-10:10 a method of exchanging payments includes purchasing a consumable item 32 in step 150 and creating a digital cash account for the consumable item in step 154. The digital cash account has an amount that is proportionally related to the amount of the consumable item. In step 152 royalty based content is acquired that indicates an owner of the content and an amount of debit charge for use of the content. In step 156, a portion of the consumable item is expended and such use incurs a debit charge when royalty based content is recreated. The digital cash account amount in step 158 is reduced by the amount of the debit charge

incurred. The consumable item is prevented from being used in proportion to the reduced amount of the digital cash account of the consumable item thus bartering a portion of the consumable item for use of the content (see page 4:17-21). In step 160, the digital cash account for the owner of the royalty based content is updated by an amount reduced from the digital cash account for the consumable item 32. Accordingly, the method of claim 20 is directed to using the consumable item as barter for cash. *The ability to use this consumable item both for creating the privileged content as well as a article of value which can be bartered away is believed to be both novel and non-obvious.*

Dependent claims 22 and 24 depend upon claims 15 and 20 respectively and are directed to an apparatus which includes a consumable item and which the apparatus uses the respective method to exchange payments either by collaterally securitizing the consumable item 32 (claim 15) or using the amount of the consumable item as barter (claim 20).

In particular for the rejection of claim 20, the Examiner states that "Briscoe does not explicitly disclose royalty based content that indicates an owner of the content and the amount of debit charge for using the content; preventing the use of the consumable item in proportion to the reduced amount of the digital cash account of the consumable item, thereby bartering a portion of the consumable item for content." The Examiner then asserts that "Berstis et al. discloses royalty based content that indicates an owner of the content and the amount of debit charge for using the content; preventing the use of the consumable item in proportion to the reduced amount of the digital cash account of the consumable item, thereby bartering a proportion of the consumable item for content." Applicant respectfully traverses that Berstis discloses these limitations. Bertis discloses that when "the method logs an indication each time the digital file is transferred from the source to a target rendering device, and the count is decremented upon each transfer."

Accordingly, nowhere in Briscoe can Applicants' representative find where Briscoe is "*preventing the use* of a portion of the consumable item in proportion to the amount of the expended portion of the currency." Rather, conversely, Briscoe *allows for the use* of the consumable item (reading the news pages) in proportion to the amount of the expended portion of the currency. Accordingly, Briscoe is

actually *teaching away* from Applicants' claimed invention. Similarly, in Berstis, "a user establishes a 'prepaid' account from which royalty or usage payments are drawn against as files are copied/transmitted. (col. 10:11-14). Thus, Berstis is *allowing for the use* and not *preventing the use* of the consumable item (paper). Applicants had previously amended claim 15 to make it clear that this *preventing of use* of the consumable item is also "thereby creating a collateral security as an encumbrance on the portion of the consumable item" and for claim 20, "thereby bartering a portion of the consumable item for the use of the content."

The Examiner cites the Berstis reference, generally at column 6, line 43 to col. 7 line 29 that there is a discussion of royalty prepayment for usage of content." However, the Applicants are not claiming "prepaid amount (for "n" copies or per rendering of content)" as disclosed by Berstis but rather are creating basically a securitized loan or bartering away a portion of the consumable item that is used to create the privileged content. The user has purchased a consumable item to create the privileged content and non-privileged content and thus may or may not use it as security or barter. It is only when privileged content is created and a royalty charge is incurred that the user can secure payment of the royalty charge by withholding a portion of the remaining consumable item as security for payment. If the payment is never reconciled, then this portion of the consumable item has been bartered away. The inventor's claimed concept is not a pre paid amount or per rendering of content for "n" copies" as disclosed by Berstis and thus claims 15 and 20 have not been disclosed, taught, or suggested by the art made of record.

Accordingly, the Applicants request withdrawal of the rejection under 35 USC 103(a) for claims 15 and 20.

Dependent claims 22 and 24 depend upon claims 15 and 20 respectively and are believed patentable based at least on the patentability of their respective parent claims as discussed above.

Accordingly, claims 15, 20, 22, and 24 are deemed to be in condition for allowance, and such allowance is respectfully requested.

If for any reason the Examiner finds the Application other than in a condition for allowance, the Examiner is respectfully requested to call Applicants' undersigned representative at the number listed below to discuss the steps necessary for placing the application in condition for allowance.

The Commissioner is hereby authorized to charge any additional fees which may be required, or credit any overpayment to Deposit Account No. 08-2025. Should such fees be associated with an extension of time, Applicants respectfully request that this paper be considered a petition therefore.

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